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JAN 14 2011
<i>Emily B. Caudill</i> REGULATIONS COMPILER

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Department of Revenue

3 Office of Income Taxation

4 (New Administrative Regulation)

5 103 KAR 15:190. Endow Kentucky Tax Credit.

6 RELATES TO: KRS 141.438

7 STATUTORY AUTHORITY: KRS 131.130(1)

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 141.438 establishes a
9 nonrefundable tax credit for a taxpayer making an endowment gift to a permanent endowment
10 fund of a qualified community foundation, or county-specific component fund, or affiliate
11 community foundation, which has been certified under KRS 147A.325. KRS 131.130(1)
12 authorizes the department to promulgate administrative regulations to administer and enforce
13 Kentucky's tax laws. This administrative regulation establishes guidelines for the department's
14 allocation of the \$500,000 tax credit that may be awarded each fiscal year under the provisions
15 of KRS 141.438(6) and establishes the filing requirements of a taxpayer to obtain preliminary
16 authorization and final approval of the tax credit from the department.

17 Section 1. Definitions.

18 (1) An "affiliate community foundation" is defined by KRS 147A.310(1).

19 (2) An "applicant" means a taxpayer that files an application with the department to
20 obtain preliminary authorization for the Endow Kentucky tax credit as required by KRS

1 141.438(7).

2 (3) "Application" means Revenue Form 41A720-S85, Application for Preliminary
3 Authorization of the Endow Kentucky Tax Credit.

4 (4) "County-specific component fund" is defined by KRS 147A.310(3).

5 (5) "Endowment gift" is defined by KRS 147A.310(4).

6 (6) "Department" means the Kentucky Department of Revenue.

7 (7) "Identification number" means:

8 (a) A Social Security number for individuals; or

9 (b) A Federal Employer Identification Number for general partnerships, estates, and
10 trusts; or

11 (c) A Kentucky Corporation/LLET Account Number for corporations and limited liability
12 pass-through entities.

13 (8) "Qualified community foundation" is defined by KRS 147A.310(6).

14 (9) "Tax credit" is defined by KRS 141.438(3).

15 (10) "Tax credit cap" is the amount provided by KRS 141.438(6).

16 (11) "Preliminary Authorization" means the applicant has received written notice, from
17 the department, that the application is in compliance with KRS 141.438 and may be eligible for
18 an Endow Kentucky Tax Credit.

19 (12) "Final Approval" means the applicant has received written notice from the
20 department that proof of the endowment gift has been verified.

21 (13) "Received" means the application has been time stamped and delivered in
22 accordance with Section 2(2) of this administrative regulation.

23 Section 2. Application to Obtain Preliminary Authorization of the Endow Kentucky Tax

Credit. (1) An applicant that seeks to obtain preliminary authorization of a tax credit shall file an application with the department on Revenue Form 41A720-S85, Application for Preliminary Authorization of the Endow Kentucky Tax Credit, January 2011 as incorporated by reference in Section 7 of this Administrative Regulation.

(2) The application shall be delivered to the department by one of the following methods:

(a) By fax only to (502) 564-0058;

(b) By electronic mail sent only to the department's mailbox at

KRC.WEBResponseEconomicDevelopmentCredits@ky.gov; or (c) Hand-delivered only to the

Department of Revenue, 1st floor security desk at 501 High Street, Frankfort, Kentucky, 40601.

(3) The department shall review the applications received via the methods prescribed in subsection (2) of this section as follows:

(a) Applications for the fiscal year ending June 30, 2011 received by the department beginning at twelve (12:00) AM Eastern Time on April 1, 2011 through eleven fifty-nine (11:59) PM Eastern Time on April 7, 2011 shall be considered for approval and shall be treated as having been filed at the same time until the tax credit cap is met. If the tax credit cap is exceeded for applications received by the department within the time prescribed by this paragraph, then the amounts receiving preliminary authorization shall be pro-rated by the percentage prescribed by paragraph (b) of this subsection.

(b) Amounts receiving preliminary authorization that are required to be pro-rated under the provisions of paragraph (a) of this subsection shall be multiplied by a percentage of the tax credit cap divided by the total amount receiving preliminary authorization for applications delivered during the time frame prescribed in paragraph (a) of this subsection.

1 (c) A fiscal year 2011 application filed prior to April 1, 2011 shall be considered as
2 received at twelve (12:00) AM Eastern Time on April 1, 2011 if the application is on the form
3 incorporated by reference in Section 2(2) of this Administrative Regulation.

4 (d) If any tax credit cap is not allocated for the fiscal year ending June 30, 2011 for
5 applications filed during the period described in paragraph (a) of this subsection, then a second
6 period for accepting applications will commence on April 8, 2011 and end on April 14, 2011.
7 All applications filed during this time frame shall be treated as having been filed at the same
8 time. If, after April 14, 2011, any tax credit has yet to be allocated, then, commencing April 15,
9 2011 all applications shall be considered on a first-come, first-serve basis pursuant to the
10 delivery mechanisms set out in Section 7(2) of this administrative regulation. If the tax credit
11 cap is exceeded for applications received by the department within the time prescribed by this
12 paragraph, then the amounts receiving preliminary authorization shall be pro-rated by the
13 percentage prescribed by paragraph (e) of this subsection.

14 (e) Amounts receiving preliminary authorization that are required to be pro-rated under
15 the provisions of paragraph (d) of this subsection shall be multiplied by a percentage of the tax
16 credit cap not allocated under paragraph (b) of this subsection divided by the total amount
17 receiving preliminary authorization for applications received during the time frame prescribed in
18 paragraph (d) of this subsection.

19 (f) For fiscal years beginning on or after July 1, 2011, applications received by the
20 department beginning at twelve (12:00) AM Eastern Time on July 1 through eleven fifty-nine
21 (11:59) PM Eastern Time on July 7 shall be treated as having been filed at the same time until
22 the tax credit cap is met. If the tax credit cap is exceeded for applications received by the

department within the time prescribed by this paragraph, then the amounts receiving preliminary authorization shall be pro-rated by the percentage prescribed by paragraph (g) of this subsection.

(g) Amounts receiving preliminary authorization that are required to be pro-rated under the provisions of paragraph (f) of this subsection shall be multiplied by a percentage of the tax credit cap divided by the total amount receiving preliminary authorization for applications filed during the time frame prescribed in paragraph (f) of this subsection.

(h) Any application for fiscal year 2012, as prescribed in KRS 141.438(6), shall not be filed prior to July 1, 2011.

(i) If any tax credit cap is not allocated for a fiscal year that begins on or after July 1, 2011 for applications filed during the period described in paragraph (f) of this subsection, then a second period for accepting applications will commence on the eighth (8th) calendar day of the fiscal year and end on the fifteenth (15th) calendar day of the fiscal year. All applications filed during this time frame shall be treated as having been filed at the same time. If, beginning on the sixteenth (16th) calendar day of the fiscal year, any tax credit has yet to be allocated, then, commencing on the sixteenth (16th) calendar day of the fiscal year, all applications shall be considered on a first-come, first-serve basis pursuant to the delivery mechanisms set out in Section 7(2) of this administrative regulation. If the tax credit cap is exceeded for applications received by the department within the time prescribed by this paragraph, then the amounts receiving preliminary authorization shall be pro-rated by the percentage prescribed by paragraph (j) of this subsection.

(j) Amounts receiving preliminary authorization that are required to be pro-rated under the provisions of paragraph (i) of this subsection shall be multiplied by a percentage of the tax credit cap not allocated under paragraph (f) of this subsection divided by the total amount

1 receiving preliminary authorization for applications filed during the time frame prescribed in
2 paragraph (i) of this subsection.

3 (k) If the tax credit cap for any fiscal year is not allocated under the rules promulgated
4 in this subsection, then the unallocated amount shall not be awarded.

5 (4) An application shall not be submitted prior to July 1st for each fiscal year beginning
6 on or after July 1, 2011. If July 1st falls on a Saturday, Sunday or state holiday, then the first day
7 an application may be filed shall be the first business day after July 1st.

8 (5) The department shall notify the applicant within thirty (30) calendar days after
9 receipt of the application whether preliminary authorization of the tax credit is denied or
10 approved.

11 (a) If the department denies preliminary authorization of the tax credit, the applicant shall
12 be notified in writing by the department of the reason for the denial.

13 (b) If the department approves the tax credit application, a copy of the application shall
14 be returned to the applicant with written notice of the department's preliminary authorization.

15 (6) Any restored tax credit cap described in KRS 141.438(8)(d) shall be re-allocated to
16 the pool of applications received after the fifteenth (15th) calendar day of the award period and
17 be considered on a first-come, first-serve basis.

18 (7) The percentage of proration for the pool of applicants described in Section 2(6) shall
19 not exceed the proration percentage in Section 2(3)(b).

20 (8)) The percentage of proration for the pool of applicants described in Section 2(3)(d)
21 shall not exceed the proration percentage in Section 2(3)(b).

22 Section 3. Information Required on or Attached to the Application. The following
23 information shall be required on or attached to the application:

(1) The applicant's name, mailing address, identification number, telephone number, and fax number;

(2) The type of entity of the applicant for Kentucky income tax purposes;

(3) The submission date of the application;

(4) The amount of endowment gift;

(5) The amount of tax credit;

(6) The qualified community foundation's or affiliate community foundation's name, mailing address, identification number, telephone number, and fax number. If a county-specific component fund, its name; and

(7) The application shall be executed by the applicant or authorized representative, declaring under the penalty of perjury that the application, including all accompanying documents and statements, is true, correct and complete.

Section 4. Proof of Endowment Gift. (1) Within thirty (30) calendar days after receiving the notice of preliminary authorization of the tax credit from the department, the taxpayer shall make the endowment gift to the permanent endowment fund held by the approved qualified community foundation, or county-specific component fund, or affiliate community foundation.

(2) The applicant shall provide the department with proof of the endowment gift within ten (10) calendar days of making the gift by filing with the department Revenue Form 41A720-S86, Notice of Endow Kentucky Tax Credit and Certification (Schedule ENDOW).

(3) If the department has verified that the endowment gift specified on the application was made to the approved qualified community foundation, or county-specific component fund, or affiliate community foundation, Schedule ENDOW shall be returned to the applicant with the department's final approval of the tax credit.

(4) If the applicant fails to make an endowment gift or provide proof of the endowment gift to the department within the time frames established in KRS 141.438(7), the department shall deny the preliminary authorization of the tax credit by written notification to the applicant. The department shall restore the denied amount to the tax credit cap and re-allocate the restored amount under the guidelines established in Section 2(6), 2(7), and 2(8) of this administrative regulation.

Section 5. If an applicant approved for preliminary authorization makes an endowment gift that is less than the amount indicated on the application and all the other applicable requirements of KRS 141.438 and this administrative regulation are met by the applicant, the department shall issue final approval based on the amount proven and shall restore to the tax credit cap the difference between the amount of tax credit that received preliminary authorization and the amount receiving final approval. The amount restored to the tax credit cap shall be re-allocated as provided in Section 2(6), 2(7) and 2(8) of this administrative regulation

Section 6. Information Required on or Attached to the Schedule ENDOW. The following information shall be required on or attached to the Schedule ENDOW:

(1) The applicant's name, mailing address, identification number, telephone number, and fax number;

(2) The type of entity of the applicant for Kentucky income tax purposes;

(3) The date the endowment gift was made to the approved qualified community foundation, or county-specific component fund, or affiliate community foundation;

(4) The amount of endowment gift;

(5) The date of the department's preliminary authorization of the tax credit;

(6) The qualified community foundation's or affiliate community foundation's name,

mailing address, identification number, telephone number, and fax number. If a county-specific component fund, its name;

(7) The Schedule ENDOW shall be executed by a foundation officer or designee, declaring under the penalty of perjury:

(a) That the Foundation is a qualified community foundation as provided by KRS 147A.310(6);

(b) That the endowment gift is held in a permanent endowment fund as provided by KRS 147A.310(4); and

(c) That the Schedule ENDOW, including all accompanying documents and statements, is true, correct and complete.

(1) Section 6. Return Filing Requirement. An applicant claiming the tax credit shall attach each tax year a copy of the approved Schedule ENDOW to the tax return on which the credit is claimed.

(2) An applicant claiming the tax credit shall not claim more than ten thousand dollars (\$10,000) in credit on a single return.

(3) A partner, member, or shareholder of an applicant claiming the tax credit shall attach each taxable year a copy of Schedule K-1, Form 720S (Revenue Form 41A720S(K-1)); Schedule K-1, Form 765 (Revenue Form 41A765(K-1)); or Schedule K-1, Form 765-GP (Revenue Form 41A765-GP(K-1)), incorporated by reference in 103 KAR 3:040, to the partner's member's, or shareholder's tax return on which the credit is claimed.

(4) A beneficiary of an applicant that is an estate or trust shall attach each taxable year a copy of Schedule K-1, Form 741 (Revenue Form 42A741(K-1)), incorporated by reference in 103 KAR 3:040, to the beneficiary's tax return on which the credit is claimed.

Section 7. Incorporated by Reference. (1) The following material is incorporated by reference:

(a) Revenue Form 41A720-S85, Application for Preliminary Authorization of the Endow Kentucky Tax Credit, January 2011; and

(b) Revenue Form 41A720-S86, Notice of Endow Kentucky Tax Credit and Certification (Schedule ENDOW), January 2011.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Department of Revenue, 501 High Street, Frankfort, Kentucky 40601 or at any Kentucky Department of Revenue Taxpayer Service Center, Monday through Friday, 8:00 a.m. to 4:30 p.m.

APPROVED:

A handwritten signature in dark ink, appearing to read "Thomas B. Miller", written over a horizontal line.

Thomas B. Miller, Commissioner
Department of Revenue
Finance and Administration Cabinet

12-28-10

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on February 23, 2011, from 2:00 p.m. to 4:00 p.m., in Room 386, Capitol Annex Building, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing at least five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by the required date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on this proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until February 28, 2011. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: DeVon Hankins, Policy Advisor, Office of General Counsel, Finance and Administration Cabinet, 392 Capitol Annex, Frankfort, Kentucky, 40601, (502) 564-6660 (telephone), (502) 564-9875 (fax)

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation #: 103 KAR 15:190

CONTACT PERSON: DeVon Hankins, Policy Advisor, Office of General Counsel, Finance and Administration Cabinet, 392 Capitol Annex, Frankfort, Kentucky, 40601, (502) 564-6660 (telephone), (502) 564-9875 (fax)

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes guidelines for the department's allocation of the five hundred thousand dollar (\$500,000) tax credit that may be awarded each fiscal year under the provisions of KRS 141.438(6) and establishes the filing requirements of a taxpayer to obtain preliminary authorization and final approval of the tax credit from the department.

(b) The necessity of this administrative regulation: This administrative regulation is necessary in order to provide taxpayers the guidelines and filing requirements with the department when seeking approval for the Endow Kentucky tax credit as provided by KRS 141.438.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 131.130(1) provides that the department shall promulgate administrative regulations necessary to implement and administer Kentucky's tax laws.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation will assist the department in the administration of the Endow Kentucky tax credit as authorized by KRS 141.438(2) by requiring a taxpayer to file specified forms with the department in order to obtain preliminary authorization and final approval of an Endow Kentucky tax credit.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: N/A

(b) The necessity of the amendment to this administrative regulation: N/A

(c) How the amendment conforms to the content of the authorizing statutes: N/A

(d) How the amendment will assist in the effective administration of the statutes: N/A

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All taxpayers filing applications with the department seeking the department's approval of their Endow Kentucky tax credits.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new or by the change if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The entities identified in question (3) will follow the guidance provided in this administrative regulation when filing: (i) an application (Kentucky Form 41A720-S85) for preliminary authorization of an Endow Kentucky tax credit; and (ii) Schedule ENDOW (Kentucky Form 41A720-S86) to provide proof to the department that the endowment gift was made to the approved foundation for purposes of receiving final approval of the Endow Kentucky tax credit.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There will be no additional cost to the entities as a result of this administrative regulation.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The entities in question (3) will have specific guidance which will expedite the process of obtaining from the department approval of an Endow Kentucky tax credit as provided by KRS 141.438.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: There will be a minimal cost initially in the administrative regulation process for the department. Also, a small amount of costs associated with notifying taxpayers of this administrative regulation will be incurred.

(b) On a continuing basis: There will be no additional cost for the department on a continuing basis as a result of this administrative regulation.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: No additional funding will be needed for the implementation and enforcement of this administrative regulation.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No increase in fees or funding will be necessary to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not): Tiering does not apply to this administrative regulation as it applies to all taxpayers seeking the department's approval of their Endow Kentucky tax credit application.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Administrative Regulation #: 103 KAR 15:190

CONTACT PERSON: DeVon Hankins, Policy Advisor, Office of General Counsel, Finance and Administration Cabinet, 392 Capitol Annex, Frankfort, Kentucky, 40601, (502) 564-6660 (telephone), (502) 564-9875 (fax)

1. Does this administrative regulation relate to any program, service, or requirements of a state or local government (including cities, counties, fire departments, or school districts)?

Yes X No

If yes, complete questions 2-4.

2. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Finance and Administration Cabinet, Department of Revenue (department), will be impacted by this administrative regulation.

3. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 131.130(1) authorizes the action taken by this administrative regulation.

4. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. This administrative regulation will not generate any revenue, but will increase the department's expenditures slightly in the administrative process, including the notification of taxpayers of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? This administrative regulation will not generate any tax revenue for the Commonwealth in the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? This administrative regulation will not generate any tax revenue for the Commonwealth in subsequent years.

(c) How much will it cost to administer this program for the first year? The cost to administer the program is expected to be small; however, personnel will be diverted from current assignments which may increase administrative cost to the department.

(d) How much will it cost to administer this program for subsequent years? The department will incur additional minimal cost each year to administer the program.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation:

2011
103 KAR 15:190
SUMMARY OF FORMS
INCORPORATED BY REFERENCE

1) Revenue Form 41A720-S85, "Application for Preliminary Authorization of the Endow Kentucky Tax Credit," effective January 2011, is a one page form filed by a taxpayer with the Kentucky Department of Revenue seeking preliminary authorization of an Endow Kentucky tax credit as provided by KRS 141.438(2) for an endowment gift to a permanent endowment held by a qualified community foundation, county-specific component fund, or specific component fund which has been certified under KRS 147A.325.

2) Revenue Form 41A720-S86, "Schedule ENDOW, Notice of Endow Kentucky Tax Credit and Certification," effective January 2011, is a one page form filed by a taxpayer with the Kentucky Department of Revenue as proof that an endowment gift was made to the permanent endowment fund held by a qualified community foundation, county-specific component fund, or specific component fund as provided by KRS 141.438(8).

41A720-S86 (1-11)

➤ See instructions.

KRS 141.438

A Name of Taxpayer

B Federal Identification Number or Social Security Number

C Kentucky Corporation/LLET
Account Number (if applicable)

Street Address or P. O. Box

Telephone

City

State

ZIP Code

Fax Number

D Type of Entity:

☐ Individual

☐ Estate

☐ Trust

☐ Corporation☐ Limited Liability Pass-through Entity☐ General Partnership☐ Other

E Date the Endowment Gift was made to the Approved Foundation

F Amount of Endowment Gift**G** Date of the Department's Preliminary Authorization of Credit

Mo. Day Yr.

Mo / Day / Yr

H Name of Qualified Community Foundation or Affiliate Community Foundation**1 Federal Identification Number**

Telephone

Fax Number

Street Address or P. O. Box

City

State

ZIP Code

J If applicable, name of Permanent Endowment Fund or County-Specific Component Fund receiving the gift

Under penalties of perjury, I declare that the Foundation is a qualified community foundation as provided by KRS 147A.310(6); that the endowment gift listed above is held in a permanent endowment as provided by KRS 147A.310(4); and that I have examined this schedule, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct and complete.

By: _____
Signature of Foundation Officer (or designee)

Date _____

Print Name: _____

Title: _____

Department of Revenue Use Only

Endow Kentucky tax credit approved by the Department of Revenue.

Amount

By: _____

Date: _____

Hand-delivery: Department of Revenue, 1st floor security desk at 501 High Street, Frankfort, Kentucky
Fax: (502) 564-0058 **E-mail:** KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

INSTRUCTIONS – NOTICE OF ENDOW KENTUCKY TAX CREDIT AND CERTIFICATION

As provided by KRS 141.438(8)(b), a taxpayer within thirty (30) days of receiving the Department of Revenue (department) notice of preliminary authorization of the Endow Kentucky tax credit shall make the endowment gift to the permanent endowment held by the approved foundation (qualified community foundation, county-specific component fund, or affiliate community foundation). Within ten (10) days of making the endowment gift, the taxpayer shall file Schedule ENDOW, Notice of Endow Kentucky Tax Credit and Certification, with the department as proof of the endowment gift.

Schedule ENDOW shall be delivered to the department via fax, e-mail, or hand-delivery as provided on page 1 of this form. The department shall not accept a Schedule ENDOW by any other delivery method. An e-mail of Schedule ENDOW shall be a scanned copy containing the signature of the foundation officer or designee. The date and time that a Schedule ENDOW is received by the department shall be used to determine whether a taxpayer has made timely notification as required by KRS 141.438(7) and (8).

If the taxpayer fails to make an endowment gift to the approved foundation within thirty (30) days of receiving the department's preliminary authorization of the Endow Kentucky tax credits, or does not provide proof of the endowment gift by filing Schedule ENDOW with the department within ten (10) days of making the gift, the department shall void the preliminary authorization and shall restore the allocated amount to the tax credit cap.

If the department is satisfied that the endowment gift was made to the approved foundation, the department shall return a copy of Schedule ENDOW to the taxpayer containing the department's written approval of the Endow Kentucky tax credit. Schedule ENDOW will not be deemed received unless all items are completed, including the certification by the foundation's officer (or designee).

A taxpayer shall attach a copy of the approved Schedule ENDOW to the tax return each year to claim the tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401. The ordering of the credits shall be as provided by KRS 141.0205.

A partner, member or shareholder of a pass-through entity shall attach a copy of Schedule K-1, Form 720S; Schedule K-1, Form 765; or Schedule K-1, Form 765-GP to the partner's, member's or shareholder's tax return each year to claim the tax credit.

A beneficiary of an estate or trust shall attach a copy of Schedule K-1, Form 741, to the beneficiary's tax return each year to claim the tax credit.

KRS 141.438

A Name of Taxpayer	B Federal Identification Number or Social Security Number _____	C Kentucky Corporation/LLET Account Number (if applicable) _____
Street Address or P.O. Box		Telephone _____
City	State ZIP Code	Fax Number _____
D Type of Entity: <input type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Pass-through Entity <input type="checkbox"/> General Partnership <input type="checkbox"/> Other _____		
E Submission Date of Application ____ / ____ / ____ Mo. Day Yr.	F Amount of Endowment Gift	G Amount of Tax Credit
H Name of Qualified Community Foundation or Affiliate Community Foundation	I Federal Identification Number _____	Telephone _____ Fax Number _____
Street Address or P.O. Box		
City	State	ZIP Code
J If applicable, name of Permanent Endowment Fund or County-Specific Component Fund receiving the gift		
<p>Under penalties of perjury, I declare that I have examined the application, including all accompanying documents and statements, and to the best of my knowledge and belief, it is true, correct and complete.</p> <p>By: _____ Signature of Taxpayer or Authorized Representative Date</p> <p>Print Name: _____</p> <p>Title: _____</p>		
Department of Revenue Use Only		
Preliminary authorization of Endow Kentucky tax credit.	<div style="border: 1px solid black; width: 200px; height: 60px;"></div> Amount	
By: _____	Date: _____	

Hand-delivery: Department of Revenue, 1st floor security desk at 501 High Street, Frankfort, Kentucky
Fax: (502) 564-0058 **E-mail:** KRC.WEBResponseEconomicDevelopmentCredits@ky.gov

**INSTRUCTIONS—APPLICATION FOR PRELIMINARY AUTHORIZATION
OF THE ENDOW KENTUCKY TAX CREDIT**

A taxpayer that seeks preliminary authorization of an Endow Kentucky tax credit as provided by KRS 141.438(7) for an endowment gift to a permanent endowment held by an approved foundation (qualified community foundation, county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325) shall file this application with the Kentucky Department of Revenue (department).

The department shall accept an application via fax, e-mail, or hand-delivery as provided on page 1 of this form. An e-mail of the application shall be a scanned copy containing the signature of the taxpayer or authorized representative. The department shall not accept an application by any other delivery method. The date and time that the application is received by fax, e-mail, or hand-delivery shall determine the order received for purposes of determining which taxpayer is eligible for any remaining tax credit should the \$500,000 tax credit cap be exceeded. If the total approved tax credit exceeds the \$500,000 fiscal year cap, the department will allocate the authorized credit based on Kentucky Administrative Regulation 103 KAR 15:190.

The department will notify the taxpayer within thirty (30) days after receipt of the application whether preliminary authorization of the tax credit is approved or denied. If the department intends to deny preliminary authorization of the tax credit in the application, the taxpayer will be notified in writing by the department of the reason for the denial. If the department determines that the tax credit in the application is in compliance with KRS 141.438(7), a copy of the application will be returned to the taxpayer containing the department's written notice of the department's preliminary authorization of the Endow Kentucky tax credit.

The taxpayer within thirty (30) days of receiving the notice of preliminary authorization of the Endow Kentucky tax credit from the department shall make the endowment gift to the permanent endowment held by the approved foundation (qualified community foundation, county-specific component fund, or affiliate community foundation). Within ten (10) days of making the endowment gift, the taxpayer shall file Schedule ENDOW, Notice of Endow Kentucky Tax Credit and Certification, with the department as proof of the endowment gift.

If the department is satisfied that the endowment gift was made to the approved foundation, the department shall return a copy of Schedule ENDOW to the taxpayer containing the department's written approval of the Endow Kentucky tax credit.